

ECHO BAY MINES LTD

Lupin Operations

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April 12, 2000

Nunavut Water Board
P.O. Box 119
Gjoa Haven, NT
X0E 1J0

Attention: Philippe di Pizzo
Executive Director

Re: Renewal Lupin Water Licence – N7L2-0925
Renewal Ulu Water Licence – ULU9700
Reclamation Surety & Liability

Dear Sir:

We recognize the Nunavut Water Board requires assurance that reclamation obligations will be satisfied on an ongoing basis. The preferred approach for Echo Bay is to create a trust fund to allow and require funds to be set aside as gold is produced, to guarantee the performance of reclamation obligations. Although reclamation activities are undertaken while operations are active, much of the physical work occurs at the end of mine life. This approach, funding on a graduated basis, does not burden the company with having to set aside all funds five to six years in advance of the actual closure spending and we believe the company's approach to be prudent in this regard. The NWB also will have tangible assurance of money being set aside and invested to grow for the future. Echo Bay has proposed to DIAND that US\$5 per ounce of gold produced and sold from Lupin be the basis of this trust fund. At the planned production rates for Lupin, the company would contribute approximately Can\$1.1 million to the fund each year.

Echo Bay has made the assertion that upon closure, the Lupin and Ulu properties hold an inherent salvage value. We are currently conducting salvage estimates for both properties. The company maintains that such salvage value should be taken into consideration when determining the net reclamation liability at each property. As a further example in support of this position, Echo Bay would remind the NWB of our purchase for \$3 million and subsequent reclamation of the Pine Point mine, through our wholly owned subsidiary Zanford Mines Services Ltd. The equipment that was already on site was utilized for

dismantling salvageable components, demolishing scrap, and reclaiming the site. Various equipment and machinery was salvaged and used at several other Echo Bay properties including Kettle River, McCoy Cove, and Lupin. Salvage and complete reclamation of the site was accomplished within a two-year period during 1988-89. We are confident that either some salvage or mining company, if not Echo Bay itself, would be interested in the salvageable assets of the Lupin and Ulu properties for the same reasons Echo Bay paid for the Pine Point property in 1988.

A suggested alternative to the trust arrangement is a letter of credit issued by a banking institution. Letters of credit are typically issued for one year, subject to renewal and are dependent on the creditworthiness of the issuing bank and, before issuance, the creditworthiness of Echo Bay will be scrutinized. The current bearish view for the gold price and its effect on the gold industry has dampened the ability of the company, as well as others in the industry, to secure large amounts of credit to advance new or existing projects. At the moment, the availability of surety amounts is limited under letters of credit. In Echo Bay's original proposal to DIAND, made in early September 1999, a letter of credit in the amount of \$500,000 would be initially provided and this amount would not be reduced. We believe that this combined with the proposed trust fund provides the required security for our reclamation obligations.

Attached to this letter is a review of the closure cost estimate provided to the Nunavut Water Board by Brodie Consulting Ltd.

We shall be pleased to meet with you to ensure a prompt resolution of all matters under discussion. Please call me at your convenience to discuss the next step in the process.

Yours truly,

Original signed by

Bill Danyluk
Mine Manager, Lupin Operation

cc: Mr. Thomas Kudloo
Chairman
Nunavut Water Board